

Chapter 4

China— Insecurity amid a Rise to Great Power Status

In October 2009 the People's Republic of China celebrated the sixtieth anniversary of its founding and displayed confidence as a great power to the nation and to the international community based on its record of rapid economic development and steady enhancement of its military capabilities. China is now one of the world's leading economic powers. As the global financial crisis unfolded, the country's international status rose, as even the United States had to strengthen dialogue and cooperation with Beijing in order to deal effectively with the global financial crisis. At the G20 and other forums, China itself indicated a willingness to cooperate with other countries as a "responsible major power."

China, however, is not always in agreement with the United States and other advanced democracies on what constitutes an appropriate international order for the future. While the country does not support the idea of a "Group of Two" (G2), in which it would share global responsibilities with the United States, Beijing is urging primarily through venues such as G20 and BRICs, a greater say for developing countries in international affairs and for reform of the existing international system. At the same time, as indicated by its large military parade in October, China is steadily expanding its military power. The rapid increase in its military power projection capability, along with a change in its military strategy to one incorporating blue-water defense and the use of space, has impacted the military balance in East Asia in a way that cannot be ignored.

As it emerges as a great power, China must simultaneously deal with a variety of issues domestically. In particular, the outbreak of rioting by the Uyghurs has demonstrated clearly that the problem of ethnic minorities will not be so easily solved. Beijing is being challenged to come up with ways that will allow ethnic minorities and the residents of Taiwan to embrace its peculiar "Chinese Nation" concept. While facing such domestic uncertainties, China is advancing economically and militarily toward great power status. The question in the minds of observers around the world is whether, in doing so, China can become a factor for stability in East Asia or not.

1. Contradictions Confronting the “Chinese Nation”

(1) Ethnic Issue Erupts in China’s Sixtieth Anniversary Year

On October 1, 2009, the People’s Republic of China marked the sixtieth anniversary of its founding, commemorating the event with a celebration at Tian’anmen Square in the capital city of Beijing. The festivities included the nation’s first military parade in ten years. Speaking from the same spot where sixty years earlier Mao Zedong declared the founding of a new nation, President Hu Jintao (General Secretary of the Communist Party of China (CPC) and Chairman of the Central Military Commission) said: “Today, a socialist China geared to modernization, the world and the future has stood rock-firm in the east of the world.” Hu stressed that “people from all ethnic groups cannot be prouder of the development and progress of our great motherland” and they “are full of confidence in the bright prospects of the great rejuvenation of the Chinese nation.”

There can be little doubt that, over the past sixty years, China has achieved remarkable results under the reign of the CPC and that today it is firmly established as a great power within the international community. At the time of its founding, China’s economy was among the poorest in the world. Overcoming numerous challenges along the way, China gradually industrialized and then began to develop rapidly, particularly after its adoption of reform and opening-up policies. In 2008, its gross domestic product approached \$4 trillion, making it the third largest economy in the world after the United States and Japan. In the same year, the total value of China’s foreign trade exceeded \$2.5 trillion, which was also the third highest globally. And at the end of 2008, its foreign currency reserves reached \$2 trillion, making it the largest holder of foreign currency reserves in the world.

China has also dramatically elevated its standing politically and in the national security sphere. In its early years, first because of a bitter clash with the United States and later because of conflict with the Soviet Union, China was isolated internationally. But in 1971, it was admitted to the United Nations as a permanent

member of the Security Council. Today, after overcoming another round of isolation because of its suppression of the protests in Tian'anmen Square in 1989, China is now even regarded, along with the United States, as a nation capable of affecting the direction of world events. The People's Liberation Army (PLA), which has the largest number of soldiers of any military in the world, had succeeded by the 1960s in developing a nuclear weapon. In the 1990s, the PLA began working on an omni-faceted modernization program. As demonstrated by the parade on October 1, the PLA has steadily augmented its informatization and power projection capabilities. These advances justify the view that China is now also one of the world's top military powers.

On the other hand, it is harder to be unequivocal about other parts of the president's remarks: that, in China "people from all ethnic groups" could not be "prouder of the development and progress of [their] great motherland"; and that these people are now "full of confidence" that they have achieved the "great rejuvenation of the Chinese nation." For on July 5, just three months before President Hu asserted the foregoing in Tian'anmen Square, a huge riot broke out among Uygurs in Urumqi, the principal city in the Xinjiang Uygur Autonomous Region. In March 2008, Tibetans in the Tibet Autonomous Region also rioted. For the Chinese leadership, which attaches the greatest importance to domestic stability, the outbreak of ethnic violence in Tibet was a profound shock. Having been severely criticized earlier by the international community for its heavy-handed crackdowns on rioting, the Chinese government would have taken all necessary measures to prevent its recurrence. Yet large-scale rioting by ethnic minorities once again broke out.

The apparent trigger of the Uygur rioting, which left 197 people dead and more than 1,700 injured according to the official announcement, was a brawl between Han and Uygur employees on June 26 in a toy factory in Shaoguan City, Guangdong Province. News of the brawl, in which two Uygur workers died, reached Urumqi, inflaming antagonism among Uygurs toward the Han. Such appears to be the context for the July 5 rioting. However, disagreements exist on what led to the outbreak of violence. Beijing blames the World Uygur Congress, led by Rabiya Kadeer, claiming that it used the incident in Shaoguan to incite anti-Han feelings among the Uygurs and that it collaborated with Uygur pro-independence groups within China to script the riot. The World Uygur Congress denies any involvement, arguing that discontent among Uygurs from years of

repression by the Chinese government exploded spontaneously into violence as a result of the incident in Shaoguan.

Whatever the case, the riots in Urumqi sent considerable shockwaves through the Chinese leadership. President Hu, who was in Italy to attend a summit on the global financial crisis, was forced to cancel his participation in the summit and return home early. Upon President Hu's arrival back in China, the Standing Committee of the Political Bureau of the Central Committee of the CPC convened a meeting on July 9, in which it declared the Urumqi riots to be a serious violent crime masterminded and organized by hostile forces at home and abroad and affirmed a policy of strictly punishing those involved. Based on this policy, the Chinese government stationed a huge number of officers of the People's Armed Police Force (PAPF) and other public security personnel in Urumqi to maintain order, and then carried out mass arrests of those suspected of participating in the incident. One month after the rioting, the government announced that it had taken 718 people into custody as suspects and that 83 had been arrested on charges of murder and assault. In mid-October, following the National Day holidays, a series of death sentences began to be handed down on those convicted.

For the Chinese government, the way it deals with the problem of ethnic minorities is a major issue with ramifications for economic development, political stability, and national security. Radicalization of the problem of ethnic minorities could undermine the social stability upon which economic development is premised—this at a time when the Chinese government was confronting a global economic crisis and was anxious about its ability to sustain such development. As President Hu has pointed out, the issue of ethnic minorities “is a major problem that we must deal with wisely and effectively in order to maintain and develop socialism with Chinese characteristics.” In recent years, Beijing's policy toward minority groups has sought to achieve two ends: on the one hand, premised on guidance from the Communist Party, to do all in its power to suppress demands by minorities for political autonomy; and, on the other, to endeavor to win the support of ethnic minorities by raising standards of living in minority areas, and by making patriotism based on a “Chinese Nation” that embraces the Han and all minority groups an object of admiration. For example, in 1999 the Chinese government began implementing a strategy of Western Region Development, targeting the western areas where many of China's minorities live. This strategy sought to accelerate the development of the lagging economies in those areas

through large infusions of capital and was also one of the pillars of Beijing's ethnic minority policy.

Despite the outbreak of major riots in Tibet and Xinjiang, the government intends to adhere to the existing policies toward minorities. On September 29, speaking at the fifth awards ceremony to honor individuals and groups who have contributed to ethnic harmony, President Hu stated unequivocally: "as attested to eloquently by the facts, the actions being implemented by our nation to solve its minorities issue are succeeding; harmony among all ethnic groups is strong and indestructible; the Party's ethnic policies are absolutely correct; and the system of regional ethnic autonomy that we are implementing in minority districts is totally the right one." President Hu then spoke of the need to accelerate economic development in minority areas and to achieve "common prosperity and development," stressing that through such efforts "we will ensure [that] people from all ethnic groups...benefit from the reform and development." Hu underscored the need to "significantly boost the spirit of patriotism" and to "greatly increase the sense of belonging that all ethnic groups feel toward the Chinese Nation, to strengthen their identity as a part of the Chinese civilization, and to enhance their pride in our great motherland." At the same time, President Hu pointed out that "selecting and nurturing leaders and talented individuals from among our minorities is an important condition for success in carrying out our ethnic policies," emphasizing that "we must endeavor to nurture leaders and talented individuals who act in accord with the Party politically, who are widely known and respected by the people, and who are highly talented men or women with a record of achievement in their work."

A day before Hu's speech, the Information Office of the State Council of the People's Republic of China released a white paper on minorities, a document entitled *China's Ethnic Policy and Common Prosperity and Development of All Ethnic Groups*, which details the significant advances in economic development and infrastructure improvements that have been made in minority regions as a result of large infusions of government money. But nowhere in the white paper is there mention of the widening economic disparity between the Han ethnic group and ethnic minorities, which is reported to be worsening as such development occurs. Rabiya Kadeer, who Beijing now condemns for masterminding the rioting in Urumqi, was once selected and nurtured by the Chinese government as an ethnic leader who would work on its behalf. Rabiya is a businesswoman

who achieved great success in Xinjiang by exploiting China's reform and opening-up policies to expand her enterprises. She was thought well enough of by Beijing to be elected in the early 1990s to the Chinese People's Political Consultative Conference (CPPCC). Beijing's ethnic policy is facing further complications. Following the rioting by the Uygurs, violence against Uygurs by the Han also broke out. This rioting occurred on two occasions: on July 7, immediately after the Uygur riots; and again in early September, when Han groups took to the streets in a large demonstration against the government for failing to protect them from indiscriminate syringe attacks by Uygurs. Beijing thus must now respond to a new issue—that of the growing discontent toward minorities on the part of the majority Han. It must do so while continuing to deal with the existing challenge of protests by ethnic minorities. The concept of the “Chinese Nation,” which Beijing considers the fundamental premise of its ethnic policies, has come under siege not only from minorities but also from the Han. Despite this, the Chinese government is standing firm on the need to maintain its policies on ethnic minorities. For the Chinese government, the minority issue will continue to be a major source of concern hereafter as it seeks to ensure political and social stability.

(2) Improvements and Limits in Relations with Taiwan

For the Chinese government, there are other reasons for insisting on the correctness of the “Chinese Nation” concept. In addition to it being a premise for its ethnic minority policies, the idea also underlies its Taiwan policies. China's position is that all the ethnic groups residing in Taiwan are members of the “Chinese Nation” and because the people on the mainland and those on Taiwan are one people, they must form a single country. Beijing is taking the position that achieving unification of the mainland and Taiwan is essential to the great rejuvenation of the Chinese nation. It was on January 1, 1979, that the National People's Congress Standing Committee (NPCSC) announced its “message to Taiwan compatriots,” which stated explicitly that China had shifted its Taiwan policy from armed liberation

to peaceful unification. Speaking at a meeting on December 31, 2008 that commemorated the thirtieth anniversary of the release of this message, President Hu stressed that the people of the mainland and the people of Taiwan shared a common identity as members of the “Chinese Nation.” Hu added that “the essence of the solution to the Taiwan issue lies in bringing about the unification of the motherland, the objectives of which are to ensure the nation’s sovereignty and territorial integrity, to pursue the happiness of all Chinese people, including those residing in Taiwan, and to achieve the great rejuvenation of the Chinese Nation.” Hu then said that “the unification of both sides of the Strait is a historical inevitability in the Chinese Nation’s move toward its great rejuvenation.”

Taiwan’s governing party, the Kuomintang (KMT), and Taiwan’s President Ma Ying-jeou have expressed sympathy for China’s view that the mainland and Taiwan share an identity as members of the “Chinese Nation.” In July 2009, then KMT chairman, Wu Po-hsiung, spoke at the closing ceremonies of the fifth Cross-Strait Economic, Trade and Cultural Forum held in Changsha, Hunan Province. In his remarks, Wu said that the forum “inspired us to look with confidence and hope toward the future of Chinese culture, which we see towering over and guiding a global and pluralistic culture.” Wu then affirmed that “the Chinese people are the world’s most iron-willed and persevering people and Chinese culture is the world’s most tolerant.” He stated that “through unhindered dialogue between people on both sides of the Strait, I believe that we can join hands to create the future together and that we can establish an era of new prosperity for the Chinese Nation.” President Ma Ying-jeou echoed these remarks at the Celebration Ceremony for National Day on October 10, 2009, touching on support received from the mainland for Taiwan’s recovery from a devastating typhoon that struck southern Taiwan on August 8. Ma said that such support “reflected the feeling shared by both peoples with common ethnic roots that ‘blood is thicker than water’” and “inspired us to look toward future cross-Strait developments with confidence and hope.”

Guided by this perception, the Kuomintang-led Ma administration has consistently pursued improved relations with China since it was inaugurated in May 2008. To fix the slumping Taiwan economy, the Ma administration believes fundamentally that strengthening economic relations with the mainland is essential and that, for this to happen, Taiwan has to improve cross-Strait political relations, which deteriorated under the previous government of Chen Shui-bian. In line with this policy, Taipei has refrained from disavowing the “one-China” principle that

Beijing insisted on; and it has restored dialogue between working-level exchange organizations on both sides of the Strait, while establishing the “Three Links” of direct trade, transportation, and postal services. These accomplishments provide the backdrop for remarks made by President Ma at the National Day ceremonies, where he stressed the correctness of the administration’s policies to date, stating that “the past year has witnessed significant improvement in relations between Taiwan and the mainland. The prospect of peace across the Taiwan Strait appears to be at hand.” He also expressed confidence about prospects for concluding two pending issues that are currently under negotiation with the mainland: the memorandums of understanding (MOUs) on financial supervisory cooperation and an economic cooperation framework agreement (ECFA).

The change in policies toward the mainland by President Ma was a very favorable development for the Hu Jintao administration. Former President Chen Shui-bian frequently caused tensions to flare in cross-Strait relations through actions supportive of Taiwanese independence. From Beijing’s point of view, such moves led neighboring countries to raise their guard against China and bred a sense of instability in the region. For Beijing, who wants to concentrate its energies and resources on economic development within an orderly international environment, unification with Taiwan is not an urgent issue. Rather, it sees building stable relationships with anti-independence government leaders in Taiwan as the desirable path for the time being. Moreover, those in the upper echelons of the Hu administration can be credited domestically with doing something concrete about Taiwan if they halt the trend toward independence and move cross-Strait political dialogue forward. As President Hu has stated, the election of President Ma has “given rise to positive change in the Taiwan situation and provided us with a rare historical opportunity in cross-Strait relations.”

To make the most of this historical opportunity, the Hu Jintao government is responding assertively to President Ma’s expectations. In a speech commemorating the thirtieth anniversary of the mainland’s “message to Taiwan compatriots,” President Hu offered six proposals relating to the promotion of peaceful development of the cross-Strait relationship, including the acceptance of the principle of one China, expanding economic cooperation, the promotion of Chinese culture, increasing communication and exchange, and the ending of hostilities. In these remarks, Hu proposed not only that both sides enter into a “comprehensive agreement on economic cooperation”; he also expressed a willingness to discuss

Taiwan's participation in international organizations and hinted at the possible creation of a mechanism for dialogue on security matters. President Hu's six proposals add momentum to the policies endorsed by President Ma, who is seeking some consideration from Beijing for Taiwan's concerns about its security and international standing as well as strengthened economic relations.

Based on this policy, the Chinese side has quickly come up with a number of concrete measures. For example, to provide direct support to Taiwan businesses that have been hit hard by the recession, Beijing has organized purchasing groups composed of mainland companies to procure products from Taiwan and has sent such groups across the Strait on a number of occasions. In 2009, total purchases from Taiwanese companies by mainland firms reportedly exceeded \$15 billion. Beijing has also established the "Western Taiwan Straits Economic Zone" in Fujian Province, which faces Taiwan across the Strait, signifying its intentions to help accelerate direct investment by Taiwanese companies into China. Beijing's support has not been limited to measures that confer concrete benefits to Taiwan's economy; it has also shown a willingness to make concessions politically and diplomatically. In this regard, observers took note particularly of its decision to allow Taiwan to attend the World Health Assembly of the World Health Organization in May 2009. Taipei, seeking to expand its sphere of international activity, had been applying for membership to the WHO, but membership was never available because of Beijing's consistent opposition. Although China would not go beyond allowing Taiwan to participate in the World Health Assembly as an observer under the name of "Chinese Taipei," it stressed that this action was an indication of the mainland's "goodwill" and "sincerity" toward Taiwan.

On August 8, Typhoon Morakot swept through southern Taiwan, resulting in a major disaster that left more than 700 persons dead or missing. Beijing demonstrated "goodwill" here as well, sending Taiwan prefabricated housing for use as temporary shelters, plus supplies and monetary donations. The latter, totaling 300 million yuan, was collected from individuals and groups. US military planes carrying supplies flew to Taiwan, but Beijing looked the other way. When local chief executives from the Democratic Progressive Party invited the Dalai Lama to Taiwan to offer condolences to the victims, the Ma administration allowed the visit to occur. This provoked condemnation by Beijing, which postponed the visit to Taiwan of a high-ranking official. Still there was no evidence of a change in China's fundamental Taiwan policy. In October, when President Ma was

installed as Chairman of the Kuomintang, Hu Jintao, as General Secretary of the Communist Party of China, sent a congratulatory telegram to Ma; in December, a meeting of the leaders of working-level exchange organizations took place, the fourth in a series of such meetings; and agreement was reached to begin negotiations on the ECFA in 2010.

China's positive responses to the Ma administration's embrace of improved relations with the mainland have moved the bilateral relationship forward rapidly. However, it remains unclear whether this momentum can be sustained and whether the relationship will advance to a level where dialogue on national security can occur and a peace agreement can be signed. For President Ma, not only must better relations with China produce results that lead to a more buoyant Taiwanese economy. As president, he must also respond to the popular will, which wants assurances about Taiwan's autonomy vis-à-vis China and stronger security for the country. Unless he succeeds in all these areas, his reelection in the presidential race of 2012 will be at risk. Therefore, as a precondition for entering into a peace agreement with China, Ma has demanded the removal of the large number of ballistic missiles that China now has aimed at Taiwan, and has released a white paper on national defense that is strongly cautious about China's military power. China, for its part, does not have much leeway to accept Taiwan's demands. So long as the government of the People's Republic of China adheres to the principle that it alone is the country's legal government, its ability to tolerate an expanded sphere of international action for the Republic of China is limited. In the National Day parade, Beijing put on display both the Dongfeng-15 and Dongfeng-11, two types of ballistic missiles capable of reaching Taiwan. As this indicates, there is absolutely no sign of the PLA letting up on its military pressure on Taipei. Furthermore, for Beijing, reaching a bilateral peace accord with Taipei cannot be a practical option, because it does not recognize the existence of the government of the Republic of China, which is run by President Ma Ying-jeou. In Taiwan, on the other hand, a government exists that is led by a president who was chosen in a direct election. The Kuomintang, which is merely one political party, also does not have the option of entering into a peace agreement with the CPC. So, although cross-Strait relations continue to improve, principally in the economic sphere but also politically as well, the obstacles confronting both sides on the security front will not be easily breached.

2. The Financial Crisis: A Mixture of Opportunities and Challenges

(1) The Chinese Economy on the Road to Recovery

The US-triggered financial crisis that spread worldwide in the latter half of 2008 presented China with significant challenges. The Chinese economy had already begun to decelerate before the problems associated with the crisis were manifest. Initially this slowing trend was viewed by many to be the result solely of economic tightening by Beijing, which wanted to dampen an overheated economy and prevent inflation. However, as the crisis grew worse in September and beyond and the global economy stalled, hitting the advanced industrial nations particularly hard, the Chinese economy began to be seriously impacted. First, these difficulties hastened the slide in China's exports. As the financial crisis deepened, exporters in China were forced to cut back on production in the face of the sharp contraction in the economy of the United States, their principal export market. A rash of factory closures in coastal areas, particularly of those manufacturing textiles and toys, ensued. In October 2008 the value of China's imports stood at US\$93.09 billion. The rate of increase in October imports was 5.7 percentage points less than the rate of increase in September, signaling that imports were also slowing down markedly. Contributing to this decline were reduced procurements of raw materials and components by Chinese companies, which were buying less because of lower production. Growth in GDP in the July–September quarter, consequently, dipped to below 10 percent for the first time in eleven quarters.

This situation prompted Li Xiaochao, spokesman for the National Bureau of Statistics of China, to remark that “the notable contradictions and problems existing in current economic performance are: the international financial market is turbulent and changeable, the growth rate of world economy slows down noticeably,” underscoring the magnitude of the impact of the financial crisis on the Chinese economy. Pessimistic outlooks on the Chinese economy began to be heard from experts inside China. For example, Liu Yuhui, a researcher at the Institute of Finance and Banking, Chinese Academy of Social Sciences, said that “the economy's downturn is literally accelerating today and it is difficult to see when it will hit bottom. Therefore, the risk exists for a hard landing in the future.” Liu added that 2009 was “likely to be an extremely difficult period for China.”

Particularly worrisome were the deteriorating trends in employment. The crisis

reversed a downward trend in unemployment rates, which had continued through 2007. In 2008, unemployment rose to 4.2 percent, the first increase in five years. Yin Weimin, minister of the Ministry of Human Resources and Social Security, admitted that conditions were becoming increasingly tense. “As a result of the change in the international economic situation, [employment conditions] have become extremely difficult.” But actual employment conditions appear to be even worse. According to a research group at the Zhou Enlai School of Government of Nankai University, close to 20 million rural peasant workers, out of a total of 130 million, had lost their jobs. The implication, the group says, is that the real unemployment rate in urban areas was 9.6 percent, twice the recorded unemployment rate announced by the government. In terms of new college graduates, the Nankai University group reported that unemployment had reached 12 percent, triple the officially announced level.

The deteriorating employment picture has also prompted discussions about potential outbreaks of social unrest. The group at Nankai University reported on the dire straits being faced by unemployed peasants and new college graduates who are unable to find jobs and said that the discontent arising from this situation, along with a decline in people’s standard of living, could trigger a loss of confidence in the government. The group also warned about the possibility of cascading risks in which this kind of latent instability spurs an even greater decline in economic growth. Concerns about the dangers of social unrest were also being voiced among the political leadership. At the National Financial Work Forum held in January 2009, for example, Vice Premier Li Keqiang expressed the perception that “the present financial crisis remains a growing problem and the shock on the real economy continues to deepen.” Li went on to say that responses to this problem would “directly bear on the stability of society.” The Ministry of Public Security has also made its concerns known. In the view of the ministry, “as a result of the international financial crisis and the impact of the declining global economy, a new turn of events is emerging with regard to social stability.” The ministry conducted inspections around the country on the impacts of deteriorating employment on social stability and has raised the alert against potential problems.

To avoid social destabilization, the Chinese government has taken steps to expand domestic demand by implementing a 4 trillion yuan economic stimulus program, comprised principally of investments in infrastructure construction which were approved by the executive meeting of the State Council in November

2008. To further the program's impacts, the Second Session of the 11th National People's Congress (NPC) approved legislation on March 11, 2009 that reduces taxes on enterprises and individuals by around 500 billion yuan. Speaking at this session, Premier Wen Jiabao declared that "the more difficulties we face, the greater attention we should pay to ensuring people's well-being and promoting social harmony and stability." From the standpoint of maintaining social stability, Wen added "We will implement an even more proactive employment policy and closely integrate efforts to stimulate growth with efforts to expand employment and improve people's lives in order to ensure that all of the people share in the fruits of reform and development." In line with this policy, the government allocated 42 billion yuan to employment-related measures.

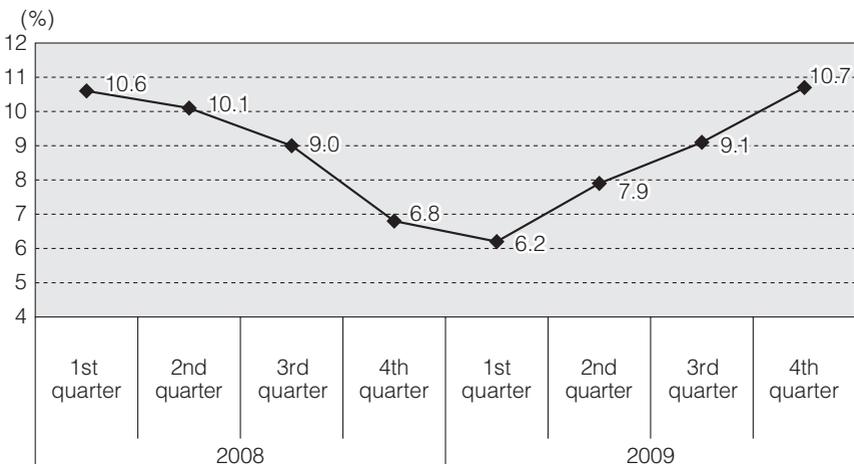
Despite such robust economic stimulus measures, GDP in the first quarter of 2009 grew by only 6.2 percent. During the quarter, the value of exports also fell, by 19.4 percent year-on-year, as a result of economic weakness in the advanced industrialized nations. Even so, the Chinese government and many economists were upbeat about economic conditions in the quarter. On April 15, for example, the executive meeting of the State Council stated that "government stimulus moves have begun to produce results and the economy was now in 'better-than-expected' shape." This assessment set the stage for other positive evaluations, such as that by Zhang Yutai, president of the Development Research Center (DRC) of the State Council, a government-run research and advisory body. In Zhang's opinion, the "preliminary effects" of a proactive economic stimulus program had emerged and "a considerable number of important economic indicators were certainly better than expected." He cited, as specific examples: fixed asset investment, which rose 28.8 percent year-on-year, reaching its highest level in three years; retail sales, which climbed by 15.9 percent in real terms; and the purchasing managers index (PMI) for the manufacturing industry, which after falling to 38.8 in November 2008, increased to 52.4 in March 2009—50 being the juncture between an expanding and a contracting economy. There was also the view of Cao Yuanzheng, chief economist for BOC International Holdings Company Ltd. Citing smaller rates of decline in GDP growth, the recovering trend in the PMI, and a rebound in demand for electric power, Cao concluded that "fundamentally, the downward trend in the macro economy has already been stemmed."

Encouraged by these "considerable impacts," President Hu Jintao said at the Second Financial Summit of G20 Leaders held in London in early April that

“China’s anti-crisis measures have produced preliminary achievements, and signs of positive change are emerging.” Premier Wen Jiabao also presented a positive take on the situation. Speaking at the Boao Forum for Asia (BFA), held in mid-April on Hainan Island, the premier cited specific economic indicators as evidence that “China’s package plan is already paying off, and positive changes have taken place in the economy. The situation is better than expected.” Demonstrating confidence in China’s economic performance relative to that of other countries in the world, the premier then emphasized that “we will further unleash our economic potential to improve the well-being of the Chinese people and create more trade and investment opportunities for other countries.”

In fact, China announced second and third quarter GDP growth of 7.9 percent and 9.1 percent year-on-year, a clear indication that the downward trend in the Chinese economy has been halted. However, while China’s anti-crisis package boosted economic growth over the short term, it remains to be seen whether this will lead to stable growth over the long term. For example, as pointed out by Wu Jinglian, senior researcher at the DRC, there continues to be no significant change in China’s high savings rate, which is one of the fundamental problems of the Chinese economy. This casts doubt on the sustainability of the nation’s current expansion in consumption. There is also considerable criticism among experts

Figure 4.1. Rates of growth in China’s GDP



Source: Data from the National Bureau of Statistics of China (<http://www.stats.gov.cn>)

within China about the government's economic stimulus package, which, because of its "excess infusion of resources," they are referring to as "the old model of economic development." From the perspective of such criticisms, Beijing's most pressing policy issue becomes transforming the country's model of economic development and aiming for economic growth over the long term based on high value added, highly efficient industries. China's leaders, therefore, will be forced to steer the difficult course between transforming the development model while maintaining a relatively high rate of economic growth.

(2) A "Positive, Cooperative, and Comprehensive" US-China Relationship

From the perspective of its external relations, the financial crisis created opportunities for China. For one thing, the crisis enabled China and the international community to view "overcoming the financial crisis" as a common interest, which made it possible for China to strive to build cooperative relations with major countries and regions. Most notably, China's relative superiority in its relations with the United States was apparent, with the latter facing skyrocketing budget deficits as it sought to work its way out of the financial crisis and with China holding more than \$2 trillion in foreign reserves and around \$800 billion in US government bonds. On the day before the Second Financial Summit of G20 Leaders in early April 2009, President Hu Jintao held his first summit with US President Barack Obama, where Hu said "China and the United States share more extensive common interests in tackling the financial crisis, striving to recover global economic growth, dealing with international and regional issues and safeguarding world peace and security." He added that "China-US relations stand today at a new point of departure, where an important opportunity for development is at hand," and proposed to President Obama that "both nations should join hands and cooperate and together build a positive, cooperative, and comprehensive China-US Relationship in the twenty-first century." Simply put, President Hu was asking President Obama to join him in taking advantage of the financial crisis to forge a wide-ranging cooperative relationship that went beyond dealing with the problems of the current crisis. With President Obama responding favorably to this proposal, both leaders agreed to aim to build a new framework for the relationship that was "positive, cooperative, and comprehensive."

To help build such a relationship, both leaders also agreed to establish a new

framework of consultation—the “Strategic and Economic Dialogue” (S&ED). Under this new arrangement, Chinese and US cabinet officials responsible for foreign affairs would join the cabinet-level “Strategic Economic Dialogue” (SED), which was created during the George W. Bush administration and has been ongoing since 2005. Through the S&ED, both nations will now jointly review at a high level not only bilateral issues but also difficulties and opportunities that both countries face regionally and globally. The Chinese side views the S&ED in a very positive light. For example, Chinese Foreign Ministry spokesman Qin Gang said that establishing this consultative framework “reflects a deeper recognition by China and the United States that cooperation needs to be strengthened and is an effort by both nations to elevate the importance of bilateral cooperation under new historical circumstances.”

The first S&ED was held in Washington, D.C. at the end of July. Vice Premier Wang Qishan and State Councilor Dai Bingguo, as special representatives of Chinese President Hu Jintao, and Secretary of State Hillary Rodham Clinton and Secretary of the Treasury Timothy F. Geithner, as special representatives of US President Barack Obama, co-chaired the dialogue. In addition to the plenary meetings, participants engaged in Economic Track discussions that focused on responses to the international financial crisis. The result of these discussions was an agreement between the United States and China that “both nations will respectively take measures to coordinate macroeconomic policy, work on stabilizing financial markets, and promote economic recovery and job creation.” Stating the matter simplistically, the Bush-era SED was a forum set up by the

United States to persuade China to allow the renminbi to appreciate. By contrast, in the newly established Economic Track of the S&ED, “there were no detailed discussions over this issue,” according to People’s Bank of China chief Zhou Xiaochuan. On the currency issue, it was more a case of China’s confidence being put on display, as when Chinese Vice Premier Wang Qishan urged the United States to

“properly handle the impact of the dollar supply on the domestic economy and the world economy as a whole” and to execute its policies appropriately as a major currency issuing country. The strategic dialogue co-chaired by State Councilor Dai Bingguo and Secretary of State Clinton, the other set of talks held within the framework of the Dialogue, gave rise to virtually no substantive results. However, according to the press release announced jointly by the two countries, China and the United States agreed to enhance the bilateral sub-dialogues on policy planning on foreign and security policy, and to strengthen policy discussions on Asia, the Middle East, Africa, Central Asia, and Latin America within the Strategic Dialogue framework, with a view toward broadening and deepening cooperation on issues of mutual concern. That is to say, the United States and China would begin to probe widely for possible areas of global cooperation.

All indications are that government leaders in China were extremely pleased with the results of the first S&ED. After his meeting in September with President Obama in New York, President Hu said that “China-US relations are on the whole now showing a sound momentum of development, and the two countries are joining efforts to build a positive, cooperative and comprehensive relationship for the twenty-first century.” Hu then proposed that, in this process of “joining efforts,” both sides should continue their discussions under the S&ED so that interchange can achieve “positive results” not only in dealing with the international financial crisis but also in the spheres of economics and trade, antiterrorism, preventing the spread of weapons of mass destruction, law enforcement, energy, the environment, and the arts. In other words, President Hu views the S&ED as an effective platform for bringing about a new “positive, cooperative and comprehensive” relationship. Furthermore, a feature article on the nation’s sixtieth anniversary in the *People’s Daily* of September 28, emphasized that “China has earned even more understanding and trust” through the S&ED. The truth is, at the opening ceremony of the First Round of the S&ED, President Obama said “I believe in a future where China is a strong, prosperous and successful member of the community of nations.”

The relatively early recovery trends in the Chinese economy and progress in the US-China relationship also added considerable currency to the idea of the so-called Group of Two (G2). For example, in the March 6, 2009 edition of *The Washington Post*, Robert B. Zoellick, president of the World Bank, wrote that “for the world’s economy to recover, [the United States and China, the world’s] two

economic powerhouses must cooperate and become the engine for the Group of 20. Without a strong G2, the G20 will disappoint.” Former presidential adviser Zbigniew Brzezinski, who served as a foreign policy adviser for the Obama campaign in the 2008 presidential election, has also argued that an “informal G2” mechanism, in which the United States and China cooperate in the political and security arenas as well as in economic matters, must be built.

China has been cautious about embracing the notion of a G2. In May 2009, speaking at a joint news conference following the Tenth China-European Union (EU) summit held in Prague, Premier Wen Jiabao said “While multipolarization and multilateralism represent the larger trend and the will of people, it’s impossible for a couple of countries or a group of big powers to solve global issues.” He then rejected outright the idea of a G2 by stating that “while there are those who speak of the United States and China forming a framework of joint dominion in the world, this is an absolutely baseless and mistaken idea.” When President Obama visited China in November 2009, Premier Wen told Obama that China disagrees with the suggestion of a Group of Two. In addition to the reasons he cited in Prague, Wen said that China is still a developing country and has a long way to go before it becomes modernized.

In the wake of Wen’s statement in Prague, experts in China have begun to present views in opposition to a G2. For example, in a commentary published in the *People’s Daily* (overseas edition), Wu Jianmin, former president of China Foreign Affairs University, said that the premier’s statement was understandable in light of the G2’s incompatibility with China’s diplomatic stance, and then said plainly that “I do not endorse joint dominion by China and the United States.” What Wu was referring to was China’s consistent assertion that “the world’s affairs should be decided jointly by all countries, regardless of their size, strength and wealth.” The May 23 editorial in the *China Times* (*Huaxia Shibao*) more concretely mentions the diplomatic issues that arise in this regard “Many countries are facing extreme difficulties as a result of the financial crisis. These countries are being quite emphatic about wanting reform of the many international rules that are advantageous to the United States, including, for example, reform of the International Monetary Fund (IMF).” The editorial continued with a statement that is suggestive of China’s sympathetic stance toward the developing nations, where Wu stresses that the G2 idea does not conform to the trend in international politics for “the involvement of more countries in the decision-making process on

the direction of the world's development.”

But a more important question is not whether the G2 is appropriate or feasible but rather how China understands what lies behind the growing acceptance of the G2 idea. In this sense, the G2 proposal has not been totally rejected in China. In early 2009, the *PLA Daily (Jiefangjun Bao)* hosted a round-table discussion on US-China relations, in which the point was made that China had to realize that behind such proposals lay the evolution of US-China relations toward “increasing balance.” This opinion, in other words, interprets the impulse behind the G2 idea favorably, to wit: the gap between the United States and China in terms of real strength has been closing—as a result of China's economic development since the implementation of reform and door-opening policies, the increase in its overall national power in recent years, and its assertive diplomacy in international institutions—and further that this “increasing balance” in US-China relations is an irreversible trend. Another expert on international affairs goes even further. While citing the financial crisis as the immediate cause of suggestions for a G2, this expert argues that “the United States can no longer take charge on its own” of other global issues and says that this is giving rise to an increasing self-awareness within the United States that its hegemony within the international community is declining. A proposal for a G2 that has its roots in such conditions must, he says, be distinguished from the Bush-era doctrine of “a responsible stakeholder,” under which “the United States, taking advantage of its ascendancy, sought to get China to observe international rules established by the West.”

China views the global financial crisis as an opportunity and has been endeavoring to build a comprehensive cooperative relationship with the Obama administration by framing actions taken in response to the crisis as a “common interest.” What is notable is that, in the process of building this relationship, China sees the S&ED as a new platform for dealing not only with bilateral issues but for expanding the dialogue to regional and global issues—and is probing for ways to strengthen US-China cooperation in the sphere of international security.

(3) Assertive Diplomacy as an Emerging Power

As we have previously suggested, China sees symptoms of a decline in US hegemony in the global financial crisis. From a longer term perspective, many observers are discerning in the financial crisis the possibility of “strategic change” not only economically but also politically and geopolitically. The annual report of

the Institute of International Relations, PLA College of International Relations, for example, states that “the United States has suffered a major blow” from the financial crisis and that, although its leading position and role in the world economy will not change in the immediate future, the United States will “without a doubt see its standing slide precipitously” in the future. Of course, the impact of the financial crisis was felt not only by the United States and other advanced industrial nations. Economic growth rates in China and other developing nations and emerging powers also slowed down. However, the annual report asserts that the financial crisis “occurred at an extremely good time [for emerging powers] to participate in the rebuilding of the international economic system” and says that “emerging powers will be able to exploit this opportunity to establish themselves as leading players, or as major supporting actors, on the global stage.”

This perception was underscored at the Fourth Plenary Session of the 17th CPC Central Committee (“Fourth Plenary Session”) which was held in September 2009. Both the communiqué from the Fourth Plenary Session and the “Decision of the CPC Central Committee on a Number of Major Issues Concerning the Strengthening and Improvement of Party Building under the New Circumstances” refer to the impact of the international financial crisis, revealing in remarks such as “a new change has occurred in the framework of the global economy and a new global power balance can now be seen” that China discerns symptoms of change not only in the economic framework but also in a political context. In July, addressing the 11th Meeting of Chinese Diplomatic Envoys, President Hu stated with respect to these changes that “the prospect of global multipolarization has become much clearer.” All of this supports an interpretation that China’s leadership is viewing the changes that have arisen in the international environment following the financial crisis as a diplomatic opportunity.

Such changes in the power balance will not be determined solely by the relationship between China and the United States, the world’s only superpower. Rather, as pointed out by Maj.-Gen. Peng Guangqian of the Department of Strategic Studies of the PLA Military Academy of Sciences, the principal element in this change is the decline in the relative status of the United States as the world’s sole superpower and the “collective rise of developing nations.” This is a view that is held by many of China’s experts. From this perspective, the diplomatic center of gravity for China’s efforts to promote change in the power balance is not likely to be a G2 but rather the G20. Cui Liru, president of the China Institutes of

Contemporary International Relations, discusses the significance of the G20 from the standpoint of a changeover from old to new world order in the following terms: “The G20 has replaced the G7 at the center of the world stage. This signifies that multipolarization has entered a new phase and indicates that a new world order will soon replace the old one.” At the Second Financial Summit of G20 Leaders in April, President Hu spoke of the G20 as having a “broad representative nature” that includes the developing nations and characterized it as “an important and effective platform” for concerted international efforts to counter the economic and financial crisis. At the summit, Hu also strongly urged reform of the international financial system as part of the work needed to reestablish order in international finance. He proposed, among other specific measures, that international financial institutions give more assistance to developing countries and that the IMF and the World Bank increase the representation and voice of developing nations. At the Third G20 Financial Summit in September, Hu reiterated the need for reform, emphasizing that it was “our solemn duty to the whole world” to carry out the political consensus reached in previous G20 summits on reform of the international financial system. In that speech, he reaffirmed his position that the member nations “should increase the representation and voice of developing countries and push for substantive progress in the reform.”

Responding to this push by developing countries for reform of the international financial system, the Leaders’ Statement for the Second G20 Financial Summit announced an agreement on a \$1.1 trillion support program, which included increasing the resources available to the IMF to \$750 billion and adding \$250 billion of support for trade finance. Based on this agreement, the Executive Board of the IMF adopted a decision to allocate Special Drawing Rights (SDR) equivalent to \$250 billion to 186 member nations, thus supporting those developing countries that were uncertain about their ability to repay external liabilities in the current international crisis. The circumstances leading to this agreement suggest that the substantive achievements of the G20 financial summits owe less to the efforts of the advanced nations than to the efforts of the developing countries. As mentioned previously, President Hu urged international financial institutions at the Second G20 Financial Summit to provide more assistance to developing nations. He thus argued that the additional resources available to the IMF should be directed toward developing countries on a priority basis. Concerning this point, Foreign Minister Yang Jiechi emphasized that President Hu provided “guiding principles and

pragmatic proposals” in the discussions about reform of the international financial system and praised this contribution as an achievement for Chinese diplomacy.

China is also aiming to cooperate more directly with countries in the developing world which are emerging as major economic powers. This is because it sees “the collective rise of the emerging powers [as] an important characteristic of today’s world” and because it considers these powers to be a major force for promoting the democratization of international relations, the reform of international politics and economics, and the multipolarization of the world. Consequently, there is a rapidly growing recognition within China of the importance of the emerging powers, particularly the so-called BRICs—Brazil, Russia, India, and China—as a new arena for China’s diplomacy. In an interview published in the *People’s Daily*, Foreign Minister Yang discussed the achievements of Chinese diplomacy over the last sixty years, explaining them in terms of four frameworks: China’s relationships with the major powers; its relationships with neighboring countries; its relationships with developing nations; and multilateral diplomacy. While these basic frameworks are not novel in and of themselves, what is notable is that Yang discussed strengthening relationships with the BRICs within the framework of “major powers.” This signifies that China considers its relationships with the emerging powers in BRICs to be on par with its bilateral relationships with major powers such as the United States, Russia, and the EU, and suggests that China views building a cooperative framework with the BRICs as an important aspect of its external relations.

In June 2009, the first so-called “BRICs Summit” of leaders from Brazil, Russia, India, and China was officially held in Ekaterinburg, Russia. Of course, summits among the leaders of these countries have taken place before. In 2006, there was the meeting of leaders from Brazil, Mexico, South Africa, Republic of Congo, and India, which took place in conjunction with the G8 Summit; and dialogue between the G8 members and the developing and emerging economies have been a regular part of G8 summits since 2005. But the BRICs framework has become an important focus as a foreign policy concept for China only since 2008—and especially since the financial crisis, which led to greater systematization of the concept. To be sure, in 2006, experts in China had already begun discussing a proposal to “jointly promote a change in the international system” by encouraging the “peaceful rise” of the group of emerging powers known as BRICs. But China did not present the idea as a foreign policy concept until “The Sino-Russian Joint Statement on Major International Issues,” which was signed by leaders of China

and Russia in May 2008. In addition to dialogue between the G8 and the developing and emerging economies, this joint statement said that both countries would strengthen and develop international cooperation mechanisms such as foreign ministers' meetings among the BRICs and among China, Russia and India. Then, at a China-Brazil summit held in July of the same year, President Hu called for an expansion of strategic cooperation with Brazil within a multinational mechanism which included the BRICs. In other unofficial meetings with the leaders of Brazil, Russia, and India, Hu has proposed that BRICs "strengthen communication and coordination on important and pressing issues" in order to "play a constructive role" in the international community.

Based on this series of proposals and agreements, the foreign ministers of the BRICs nations met in September 2008 during the regular session of the UN General Assembly. Recognizing the financial crisis as an "important and pressing issue," the four nations accelerated their policy coordination relating to the crisis. Two meetings of BRICs finance ministers were then held, the first in Sao Paulo in November 2008 and the second in Horsham, UK, in March 2009. In September 2009, BRICs finance ministers and central bank governors also met. Each of these meetings took place before a G20 Finance Ministers and Central Bank Governors Meeting and allowed the BRICs nations to coordinate their positions regarding reform of the international financial system. For example, at their September 2009 meeting, the four nations announced a common position on the IMF and the World Bank, in which they proposed specific measures to increase the representation and voice of developing nations, to wit: "7 percent of the quota contributions of the IMF and 6 percent of member country contributions to the World Bank should be transferred to developing countries, and the advanced nations and developing countries should receive equal voting rights." At the BRICs Summit in June, President Hu said that the BRICs was "already a new platform for international cooperation," and "an important power in the international community." Obviously, the cooperation that BRICs members must seek to achieve under the new framework is not limited to efforts at reforming the international financial system. In order to "collectively sustain the overall interests of the developing countries," President Hu has stated that there is a need for the four countries to pursue a broad-based agenda through the BRICs framework, including dialogue, personal exchange, and cooperation in politics, economics, and the arts. It is possible that, in addition to its long-standing foreign policy of strengthening relations with developing

countries and regions as a whole, China will pursue more vigorously its demands toward the advanced nations for greater representation for developing countries and reforms of the international system—through the engine of strengthened mutual cooperation among the BRICs and other emerging powers.

3. The PLA's Display of Confidence

(1) China's Deepening Faith in Its Military Power

In 2009—the sixtieth anniversary year of its founding—China made a remarkable show of its confidence militarily. Li Zhaoxing, spokesman for the NPC, reported that the defense budget for fiscal 2009 was 480.7 billion yuan, a 17.3 percent year-on-year increase, and the 21st consecutive year of double-digit growth. Although the transparency of China's defense expenditures is constantly raised as an issue, Teng Jianqun, deputy secretary general of the China Arms Control and Disarmament Association, has voiced the following opinions: “a lack of transparency is a secret way of truly achieving the results of our military plans”; “maintaining vagueness is necessary not only in times of war but also when building a military in peacetime”; and “a lack of clarity is advantageous to the underdog.” Teng adds that “transparency” is a pretext for those in major Western nations who choose to view China as a threat, and says that China should respond calmly by achieving greater transparency through its own methods. Qian Lihua, director of the Foreign Affairs Office, Ministry of National Defense, makes three points regarding China's stance on transparency: (1) transparency of strategic intent is the most important issue; (2) transparency on military matters is based on mutual trust; and (3)

China's government has always considered transparency to be important. In a by-lined article in the *PLA Daily* on Vice Chairman Xu Caihou's visit to the United States (Xu is vice chairman of the Central Military Commission), Qian states that “assertions about transparency are out of sync with the times

and only harm the development of further interaction and cooperation between the Chinese and US militaries.” Judging from such comments, China appears to have changed the way it deals with questions of transparency, moving away from its traditionally passive approach of responding through a framework of “criticisms of the West”—choosing instead to relativize the West’s interpretations by pointing out China’s view of things, while at the same time showing that it has expended a certain amount of effort to enhance transparency.

To commemorate the sixtieth anniversary of its founding, the PLA Navy invited 20 naval vessels from fourteen countries to participate in a naval parade (fleet review) in Qingdao, Shandong Province, on April 23. Pointing out that every one of China’s ships in the review was made in China, the *PLA Daily* and other publications stressed that China now possessed technology that was on a par with that of advanced nations and expressed confidence that China would be able to build a navy in the future worthy of a great nation. Speaking to an audience of high-ranking officers from foreign navies, both President Hu Jintao and PLA Navy Commander Adm. Wu Shengli stressed that in order to build a “harmonious world” of enduring peace and common prosperity, the PLA Navy was aiming to build a “harmonious ocean,” which would be an important component of such a world. The *PLA Daily* portrayed the participation of foreign vessels as an affirmation from abroad of the Chinese navy’s activities, writing that this participation was “testimony to the unremitting effort by the PLA Navy to build a harmonious ocean.”

In the sixtieth anniversary year military parade, 200 members of the National Flag Guard took 169 steps to reach the flagpole where China’s national flag was raised. These 169 steps symbolized a 169-year history of humiliation since the Opium Wars and the great rejuvenation of the Chinese Nation. The military parade in Tian’anmen Square removed the stain of this history from the Chinese Nation and exhibited the military power that supports this rejuvenation. Compared to when the military parade was held in 1999, defense spending by China in 2009 had increased by five times, and this difference was in plain view in the 2009 parade—the results of 10 years of development vividly on display. Those results can be encapsulated in three words: “balance,” “domestic production,” and “informatization.” The units under review were from the Ground Forces, Navy, and Air Force, and also from the Second Artillery Force, the PAPF, the Militia Force, and the Reserve Force. Compared to 1999, the numbers from the Ground

Forces were smaller, while those from the Navy, Air Force, and Second Artillery Force were larger. This signifies a move by China to redress a Ground Forces-centric force structure in the interest of better balance among the various branches of the military. There were fewer troops parading on foot and more as part of mechanized units, and much was made of the fact that 90 percent of the equipment on display was domestically manufactured. For the first time, AWACS, UAVs, and satellite telecommunications equipment were shown, underscoring the progress that China has made in “informatization.” The military parade in China has the role not only of raising morale domestically but also of serving as a warning against enemy forces. The primary focus of the military strategic guidelines in the government’s white paper on national defense in 2008 was the “deterrence of crises and war.” Beijing looks upon military parades to function as a deterrence measure.

(2) Change in Military Strategies

In 2009, it became increasingly clear that the Chinese navy is changing its strategy from “offshore defense” to “blue-water defense.” Articles explicitly citing this change have appeared frequently in the *PLA Daily* and other official media outlets. For example, *The Outlook*, a weekly publication affiliated with the Xinhua News Agency, characterizes the adjustment in naval strategy as an “historical inevitability” which results from advances in naval vessels and technology, and reports that the following directive was issued by President Hu: “while enhancing our general offshore operational capabilities, we must gradually change to a blue-water defensive strategy and improve our blue-water operational capabilities; by doing so, we will protect our nation’s territorial waters and maritime rights, and safeguard the security of our rapidly developing ocean industries, maritime transportation, and strategic routes to energy resources.” This message was delivered by President Hu to top officers of the Navy at the 17th National Congress of the CPC in 2007, but at the time it was not made public. Its recent disclosure may be attributed to a feeling on China’s part that the environment was suitable for such an announcement. More specifically, today the blue-water activity of the Chinese navy is accepted as a reality by the rest of the world—witness its patrols in the Gulf of Aden. By disclosing this change at the same time as it reminds the world of China’s international contributions on the oceans, Beijing may have been seeking to neutralize the threat felt by other countries.

The concrete aspects of this blue-water defense strategy are still unclear. But given the noticeably greater amount of activity by Chinese naval vessels in the Pacific in recent years, it seems undeniable that China is envisaging operations between the so-called “first island chain” (connecting the Ryukyu Islands, Taiwan, and the Philippines) and the “second island chain” (connecting the Bonin Islands and Guam). In June, five ships of China’s North Sea Fleet crossed the first island chain and sailed to the sea near Okinotorishima Island, where they were observed by the Japan Maritime Self-Defense Force conducting what appeared to be training exercises. China is certain to step up such activities in the Pacific hereafter. Japan has territorial rights over Okinotorishima, which is situated between the first and second island chains. China is concerned that the exclusive economic zone that extends outward from Okinotorishima will interfere with the activities of its navy. For this reason, China is asserting that Okinotorishima is not an “island” but merely a “rock,” which would not constitute the basis for an exclusive economic zone.

On March 7, Zhang Jianqi, deputy director of the PLA’s General Arms Department and deputy chief commander of China’s Manned Space Project, said that the agency would launch *Tiangong 1*, a space station module which has been under development as a part of China’s future space station. At a National People’s Congress discussion of PLA delegates, Air Force Commander Xu Qiliang said with respect to the mission of the Air Force that “it would expand its mission from air defense operations to air and space defense operations.”

Speaking at an international forum on peace and development in November to mark the sixtieth anniversary of the establishment of the Air Force, Xu called for the “peaceful and harmonious use of air and space.” This philosophy, he told an audience that included air force leaders from other countries, would be based on a philosophy of international cooperation in air and space (aerospace). To the domestic media, Xu said that “without adequate strength, we will have no voice as military competition shifts into aerospace. Only with massive power will we be able to sustain peace.” He then stated that the strategy of the PLA Air Force would be “air and space integration and the combination of defense and attack.” *The Outlook* emphasized the meaning and the legitimacy of the new strategy. “The demilitarization of air and space,” it said, “[was] a naïve illusion,” adding that “only by bringing about relative balance in aerospace will ‘peaceful and harmonious use of air and space,’ and world peace, become possible.” *The Outlook*

then asserted that the Air Force's new strategy was "aimed at increasing the military balance in that sphere and could never be used as a pretext for new charges that China poses a threat."

China is also beginning to change what it means by the "military strategy of active defense." In Beijing's 2008 white paper on defense, the image of a "defensive posture" is stressed, to wit: "China implements a military strategy of active defense" and "strategically, it adheres to the principle of featuring defensive operations, self-defense, and striking and getting the better of the enemy only after the enemy has started an attack." When the US Department of Defense released *Military Power of the People's Republic of China 2009* in March 2009, the *PLA Daily* condemned its comments on the strategy of "active defense," calling them "outlandish accusations," which "arbitrarily distort China's military strategy of active defense, perversely lump strategic defense and offense in military campaigns into the same category, and claim that a strategy of active defense includes the logic of initiating offensive action." Despite this criticism of the US interpretation, however, one can find statements such as the following in *On Military Strategy*, a work published in November 2007 and used as a text at the National Defense University: "For a long while, China has attached great importance, first and foremost, to strategic defense," but having now entered a new century and new stage where, in order to deter moves toward independence in Taiwan, safeguard the nation's territory, sovereignty, and maritime rights, defend the country's expanding strategic interests, and respond to military pressures from powerful enemies, China has to recognize that "it is not sufficient to rely solely on defensive military action in the general sense of the term"; and that "in order to carry out a robust defensive strategy in this new situation, China must safeguard the security, unity, and interest of the nation by placing importance on the strategic implementation of offensive operations, assertively and flexibly executing offensive operations at the strategic level, and engaging in effective offensive operations." This bespeaks an offensive strategy, and while the textbook is not an official document, the fact that discussions of this nature are taking place at an institution known as "a cradle of generals" deserves scrutiny. In another instance, Liu Chengjun, commandant of the Academy of Military Science and Liu Yuan, political commissar, write in *National Defense* that China will "commit itself to integrating the two doctrines—to unifying 'striking only after the enemy has started an attack' and 'gaining the initiative by striking first.'" The authors of

the article then proceed to affirm the preemptive use of force, saying that China's approach would be to gain maximum sympathy and support from the international community politically, militarily, and diplomatically by adhering strategically to a "striking only after the enemy has struck" doctrine, while tactically pursuing the advantages of "striking first" and staying a step ahead of the enemy in combat operations.

The military strategy of active defense views aggressive offensive actions in regional wars as important. China has been assertive in its use of force in local wars since the founding of the People's Republic. Today its military strength has been enhanced by equipment modernization. Militarily speaking, in situations where it has relative combat superiority, choosing to exercise force preemptively in regional wars would be the rational choice for China.

(3) Enhancement of the Core Military Capability

Within the PLA, discussions about the "core military capability" have been taking place since 2008. The core capability originally referred to winning local wars under conditions of informatization. However, lessons learned from rescue operations following the Sichuan Earthquake and other disasters have led to a growing recognition that the core military capability also includes dealing with military operations other than war (MOOTW)—humanitarian aid, disaster relief, UN peacekeeping operations (PKO), and so on. But in February 2009, in the *PLA Daily*, a series of articles on the core military capability took issue with this perception. The primary threats to which China had to respond, the articles said, were invasions, subversion, and separatist activity, and because safeguarding China's unity and sovereignty was the fundamental role of the PLA, it should stick primarily to dealing with traditional threats. Furthermore, the articles maintained, ignoring the military's core duty of winning local wars under conditions of informatization would be a mistake. At a meeting at the NPC in March, PLA delegates reaffirmed the original definition of the core military capability in the following manner: "only by having a core military capability to win local wars under conditions of informatization can there be sufficient fundamental capability to carry through other military duties." Chairman of the Central Military Commission Hu Jintao, speaking to the delegates later at a plenary session, made a clear distinction between the core capability and MOOTW, stating that "while we shall emphasize building a stronger core military capability,

we will also be unwavering in building our capabilities in areas other than war.” He also provided a theoretical basis for the relationship between both capabilities, stating that “the core military capability is the foundation of military operations other than war; military operations other than war are an extension of the core military capability; and both are mutually indispensable complements of the other.”

On January 1, 2009, the new Outline of Military Training and Evaluation took effect, incorporating the elements of “informatization,” “joint operations,” and “MOOTW.” In their directive on military training in 2009, the General Staff Headquarters called on all units to focus on strengthening the core military capability. In 2009, the PLA conducted large exercises focusing on joint operations and power projection, which it views as important elements of that capability.

There have been several new developments at the strategic level with respect to joint operations. The *PLA Daily* reports that, in 2008, the PLA released China’s first strategic training rules. Entitled “Regulation of PLA Strategic Training” and “Fundamental Principles and Details of PLA Strategic Training,” these rules prescribe how training on joint operations by supreme command organizations should occur and specify the basic structures of joint training. At the working level, operational and training departments met in January 2009 to coordinate training on joint operations and formulated a plan for joint training for all branches of the military. As this groundwork was being laid, a number of advanced training exercises on joint operations were tested in the Jinan Military Region, which had been assigned the duty of holding trial exercises on theater joint operations by the Central Military Commission and of verifying their results. In February, a theater joint exercise guidance organization began operations in the region. Between June and July, China held its first theater joint exercise, in which the Ground Forces, Navy, and Air Force participated, along with the Second Artillery Force, the PAPF, and command organizations of regional governments. The *PLA Daily* highlighted the ability of the various command organizations to successfully “share resources and information” through a common command and communications platform. The *PLA Daily* also reported that this exercise was a live field exercise which simulated that a certain technology required for the “potential defense database within the informatization command system” was lacking and that reservists with competence in that technology had to be selected and technical experts from private companies mobilized. In the view of staff at General Staff Headquarters, this exercise “demonstrates that our armed forces have reached a

new level in joint training, and offers a model for regularized operations, systematized operations, and standardized operations of training.” The PLA recognizes that the “traditional concept of mechanized war,” “the philosophy of a grand army,” and the “ego of the various branches” act to inhibit joint operations. However, the theater joint training exercise in Jinan indicates that the PLA has the ability, through trial and error, to solve such problems.

In 2008, there was a growing sense of crisis in Beijing about what it perceived to be insufficient power projection capability in the aftermath of the Sichuan Earthquake. In debate among PLA delegates at the NPC in March 2009, this sense of crisis evolved into a common recognition that “power projection capability is an important barometer of overall national power and military strength. We must use all available means to rapidly enhance the ability of our military to maneuver quickly in all directions on land and sea and in air.” In the discussions, particular attention was paid to strengthening power projection capabilities on the sea and in the air through the integration of military and civilian resources. While requisitioning civilian aircraft and shipping is realistic under current conditions, the *PLA Daily* went further, arguing the case for “the principle of merging military with civilian, peace with war.” Under this approach, the *PLA Daily* would require that, in all self-development of large aircraft and ships, flexibility be incorporated into the design to enable passenger-to-cargo conversion. At this point, China already has container vessels that can be used for either military or civilian purposes and is developing a transportation capability through its Naval Militia. In February 2009, it also launched a company in Xi’an to work on development of mid- and large-sized aircraft for both military and civilian use. Finally, the NPC is currently discussing a proposal to establish National Defense Mobilization Law. If these proposals are passed, trends toward establishment of military-civilian joint platforms in aircraft, shipping, and railroads could accelerate.

Between August and September 2009, the PLA conducted a real-force military exercise called “Cross 2009,” in which one division from each of the military area commands of Lanzhou, Shenyang, Jinan, and Guangzhou moved several thousand kilometers to different military area commands. Around 50,000 troops and 60,000 different types of vehicles and large equipment were involved in the exercise, covering an overall distance of more than 50,000 kilometers in the maneuvers. More than 80 percent of the troops and equipment were transported by motorized vehicle or railway. In terms of air mobilization, military transport planes were

complemented by requisitioned civilian aircraft. Railway transportation included use of China's *He Xie Hao* high-speed train. Fighters and bombers of the Navy and Air Force, which were responsible for security against frontal attack from the South China Sea, increased their long-range capabilities through use of tanker aircraft for refueling, according to the *PLA Daily*, which also reported that Chinese naval warships deployed off the coast of Somalia were accumulating experience and gaining valuable lessons in logistical support through their blue-water escort duties. Thus through training and actual deployments, the PLA is gradually enhancing its power projection capabilities.

Despite a number of reports in both the domestic and overseas media about China building an aircraft carrier, there has still been no confirmation of a decision to this effect in the form of a statement by a high-ranking government official or an official report. In March 2009, when Japanese Minister of Defense Yasukazu Hamada visited China and met with Liang Guanglie, China's Minister of National Defense, it was reported that Liang told Hamada that "among the major nations, only China does not have an aircraft carrier. We cannot go on forever without having one." This is the first statement regarding the construction of an aircraft carrier from a high-ranking official at that level (Liang is a member of the Central Military Commission). According to Liang, China would have to build an aircraft carrier because "China has vast oceans and a heavy responsibility to protect the ocean. China's naval power is weak and there is a need to develop it." Rear Adm. Zhang Zhaozhong, a professor at the National Defense University, says specifically that based on the operational radiuses of the PLA's fighters, China needs two aircraft carriers in the South China Sea and furthermore that "without a deployment of forces between the first island chain and Guam, we would lose our depth of defense." On the other hand, Defense Minister Liang has remarked that "various factors have to be taken into consideration," implicitly acknowledging the existence of objections within the military to the start of construction. Sen. Col. Han Xudong, an associate professor at the National Defense University, argues that while a carrier should be developed, now is not an appropriate time to do so. He cites a number of reasons: first, that while space development will drive growth in the nation's economy, the development of a carrier would be a cash drain and not give rise to value in the economy; second, that resolving maritime conflicts through the use of aircraft carriers would run counter to the national policy of "setting aside dispute and pursuing joint development"; and third, that development

of new equipment capable of replacing the aircraft carrier is occurring at a rapid pace, in the form, for example, of aircraft with longer cruising ranges, ballistic missiles that can hit targets farther away, and so on.

So while China is taking steps that will allow it to begin building an aircraft carrier at any time, it is likely to remain cautious about any final decision to commence construction while these conflicting views exist—one side arguing for a robust posture, based on the need to build a carrier to boost national prestige, elevating the country's international standing, and protecting national interest, while the other side opts for caution, for the reasons spelled out above.

(4) Progress in Organizational Reform

At a plenary session of the Committee of the Chinese PAPF of the Communist Party of China, President Hu Jintao urged delegates to faithfully carry out the duties and mission of the armed police. President Hu's attendance at this meeting was undoubtedly meant as a gesture of praise to the corps for its role in suppressing the violence in Tibet in 2008 and in performing security duty at the Olympics, as well as of encouragement as it prepared to provide security at the National Day celebrations in October 2009. The PAPF also lived up to Hu's expectations in their handling of the Uygur riots in July. The participation of the armed police at the military parade on National Day was also telling, as the parade is meant as a display of the progress that has been achieved militarily over the past ten years. The fact that both armed police on foot and those in mechanized units were reviewed at the parade indicates the increased importance that the Communist Party is attaching to the PAPF. On August 27, the 10th Session of the NPC's Standing Committee of the 11th NPC passed the Law on the PAPF of the People's Republic of China, which defines the nature, responsibilities, duties, rights etc. of the armed police. The law was originally proposed fourteen years ago, so the impetus for its passage clearly came from the increasing number of PAPF mobilizations recently in response to incidents such as the Tibet and Uygur riots as well as from a desire to persist in governing the military in accordance with the law. The new law stipulates that the authority to mobilize the PAPF rests with the State Council and the Central Military Commission, in contrast to what had been proposed in an earlier version of the law, when all levels of government would have been permitted to mobilize and use the armed police. Opposition from certain members of the Standing Committee resulted in an amendment to that

proposal which stated that all movements and use of the armed police “had to undergo strict screening and adhere always to the principle of using police power in accordance with the law.” In adopting this amendment, delegates were clearly seeking to prevent arbitrary use of the armed police by local governments and to avoid backlash from the people which would arise through such arbitrary use of police power.

Non-commissioned officers (NCOs) make up the core of the PLA, accounting for 800,000 of its members. On December 1, a new system for NCOs, which aims to strengthen the ability of troops to deal with combat under information-based conditions, was launched. The reform seeks to achieve the following goals: (1) increase the number of NCOs with high-tech competence; (2) structurally adjust the system of NCOs, by reducing the number of lower-level NCOs and increasing those in the middle and upper ranks; and (3) instituting a seven-level ranking system in place of the current six-level system, and improving methods of selection, promotion and compensation. Pay would be increased with the aim of retaining persons of high caliber. For example the pay of senior NCOs would be at the same level as regiment commanders, while allowances based on specific skills would also be paid.

In his “Report on the Work of the Government,” Premier Wen Jiabao said that top priority would be placed by the government on facilitating the employment of university graduates. Premier Wen stated that, as part of this initiative, university graduates who take jobs in villages or enlist in the army would receive tuition reimbursements or have their student loans forgiven. In response, the recruitment activity conference adopted the policy of making university students its primary targets for induction into the military in 2009. Encouraging university students to join the military has benefits for all three of the parties involved: the students, the government, and the military. For students, the benefits are: immediate employment and assistance with tuition; preferential treatment after discharge when seeking opportunities for continuing education or employment; and the possibility of being selected as an officer in the military. For the government, it is mitigating the difficult employment situation. And for the military, it is being able to attract potential officers or NCOs with the skills required for informatization.

After the outbreak of rioting by Uygurs on July 5, video images of the scenes on the ground taken by the Xinjiang Armed Police television center were broadcast the next morning at 9 a.m. by China Central Television. At the same time, China

permitted domestic and international media to report on the riots from Xinjiang. These measures reflected lessons learned by Beijing, which after the riots in Tibet in March 2008, found itself on the defensive from beginning to end in the arena of international public opinion—and thus were meant as a means of gaining the initiative and a voice this time around. Contrary to Beijing’s expectations, however, the Western media took the same critical stance against China in its reporting as it did during the Tibetan riots. This prompted the *PLA Daily* to condemn such reporting as “demonizing China” or “throwing mud onto China’s international image.” The Website of the Ministry of National Defense was established under these conditions on August 20. Because of the poor name recognition of PLA’s Website, “China Military Online,” China took a cue from other nations and developed a Website for its Ministry of National Defense. Beijing undoubtedly felt that it could deliver its messages more effectively through such a Website. The *People’s Daily Online*, hailed the establishment of the Ministry of National Defense’s Website as “a further step toward transparency of the Ministry of National Defense, complementing its creation of a spokesman system.” At the same time, a spokesman for the *PLA Daily* online edition said that “the creation of this Website by the Ministry of National Defense will enable the ministry to deliver the voice of our military to the rest of the world on a timely basis. It will enable the ministry to guide international public opinion on important incidents in an appropriate manner, give the ministry an international voice, and enable it to capture the initiative in battles over military-related public opinion.”

Domestic Production in China of Large Military Transport Aircraft

In November 2009, Hu Xiaofeng, president of AVIC Aircraft Corporation, a subsidiary of Aviation Industry Corporation of China (a state-owned enterprise that develops and manufactures China's military and civilian aircraft), announced that China was developing a large military transport aircraft, whose maximum takeoff weight would be approximately 200 tons. This would place it in the category of Russia's IL-76.

Previously, China did not have the manufacturing capability to build such an aircraft. The PLA is seemed to have only a dozen or so such planes, all of them IL-76s imported from Russia. In 2005, China reached an agreement with Russia to purchase thirty-four IL-76s and four IL-78 tankers (which are renovated IL-76s) for air refueling. However, because of issues on the Russian side, the contract has still not been executed. In 2008, China was faced with a number of situations requiring large transportation capability, including severe winter storms, riots in Tibet, and the Sichuan Earthquake. For the PLA, each of these emergencies drove home the reality of its lack of adequate air transport capacity. In the words of Vice Chairman of the Central Military Commission Guo Boxiong, "the development of strategic transportation capability is an urgent issue" (*PLA Daily*, June 19, 2008 issue).

If it succeeds in manufacturing a large military transport plane domestically, the PLA will no longer be constrained by various circumstances or motives on the part of the seller and will be able to enhance its mobility over long distances. This will enable the PLA to make greater contributions in military operations other than war, including in disaster relief missions, UN peacekeeping operations around the world, and the like. Moreover, the airframe of the new aircraft can be used to develop an aerial refueling tanker. Through such a conversion, China would be able to refuel its fourth generation fighters, which would give them attack capabilities over the ocean and other longer distances. This would greatly increase the PLA's power projection capabilities. In the future, China could exploit the advantage of relatively low price to export the aircraft to Africa, the Middle East and other regions. The key will be its ability to develop its own engine. Currently, China is developing its C919 passenger plane, a Boeing 737-class aircraft, which it plans to fly initially in 2014. But for this plane, China will initially be mounting a foreign-developed engine. Likewise, for its transport military plane, China is likely to rely on foreign engines initially and to take its time to develop its own engine. Aviation Industry Corporation of China has expressed an intention to build passenger planes using military technology. The development of the new large military transport plane also deserves to be watched closely from the perspective of "military-civilian integration" of military technologies.